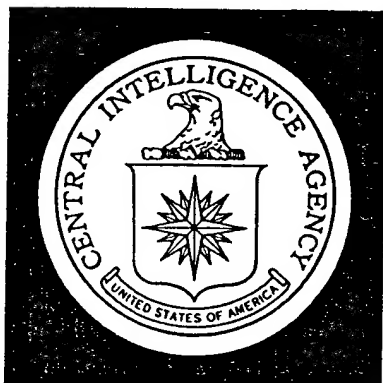


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*Prospects for Agriculture in Communist Countries
as of August 1967*

CIA HISTORICAL REVIEW PROGRAM
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

INTELLIGENCE MEMORANDUM

Prospects for Agriculture in Communist Countries
as of August 1967

Summary

Agricultural prospects as of August are relatively good in all the Communist countries except North Vietnam. Crop production for the Communist countries as a group will probably be above average, but less than last year, when record grain harvests were gathered in both the USSR and Eastern Europe (including Albania and Yugoslavia). Contracts to import grain are behind those of the last few years, although the demand for imports may rise if drought continues to affect the fall-harvested crops in China and Eastern Europe.

A record wheat crop has already been harvested in Eastern Europe. The Soviet wheat harvest is likely to be above average, but less than the bumper 1966 crop. The outlook for fall-harvested row crops such as corn, potatoes, sugar beets, and sunflowers is less favorable than a year ago in both the USSR and Eastern Europe. The production and procurement of livestock products, however, probably will exceed the levels of recent years.

Note: This memorandum was produced by CIA. It was prepared by the Office of Economic Research; the estimates and conclusions represent the best judgment of the Directorate of Intelligence as of 6 September 1967.

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The early grain harvest in Communist China is estimated to have been better than in 1966, but it is too early to predict the outcome of the more important fall harvest. The Cultural Revolution thus far appears to have been confined primarily to urban areas, but agriculture may become increasingly involved in the coming months if unrest persists.

In North Vietnam the spring rice harvest -- normally about one-third of the annual rice crop -- is estimated to have been below average, primarily because of reduced acreage. The more important fall rice crop is also off to a poor start because of drought, but the final outcome will depend heavily on the effectiveness of irrigation in the Red River delta, where most of the rice is grown.

USSR

1. A good winter grain crop has been harvested in the USSR. Less is known about the spring wheat crop, the harvest of which is still under way in the important new lands areas of Western Siberia, the Urals, and northern Kazakhstan. One Eastern European source has indicated that Soviet officials expect a total grain crop of about 150 million metric tons* (compared with the 171 million tons claimed in 1966), and a Soviet source has estimated the wheat crop at about 82 million tons (compared with 100 million tons in 1966). The 1967 grain crop is tentatively estimated at 115 million to 120 million tons, including some 60 million to 65 million tons of wheat (the comparable estimates for 1966 are 140 million and 80 million tons, respectively).

2. The Soviet purchase in late July of only 2 million tons of wheat from Canada (leaving 4 million tons yet to be purchased under the three-year agreement ending in mid-1969) probably means that the USSR considers its wheat supply situation to be generally satisfactory. On the basis of the evidence presently

* Soviet statistics on grain production do not make allowances for trash, excess moisture, immature grain, and other factors, which normally amount to an estimated 15 to 20 percent of the total.

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available, it is not believed that large additional purchases of wheat this year will be necessary. But, if the weather is inclement during the remainder of the harvest in the new lands -- a rather frequent occurrence -- the quality of the wheat could be reduced, and Soviet officials might feel compelled to import some additional grain, particularly if the alternative were to draw on reserves.

3. The production of row crops, such as corn, sugar beets, sunflowers, and potatoes, has probably been affected by the below-normal precipitation in much of European USSR during July. Although the cotton crop experienced some difficulties earlier this year, production of this irrigated crop is expected to approximate the record 1966 level. A record output of livestock products is expected this year, a result both of good feed supplies and of record numbers in most categories of livestock, but a shortage of processing and storage facilities is causing greater than normal losses of meat and milk.

Eastern Europe

4. Total production of grain in Eastern Europe is expected to be above average but not as high as in 1966 (66 million tons) because of a smaller corn harvest. The 1966/67 growing season for small grains was outstanding in most countries, and production records in wheat were set in all countries except East Germany and Poland. Although small grains planted in both fall and spring ripened almost simultaneously, harvesting losses were held to a minimum because the weather remained dry and additional harvesting machinery was available. One possible exception was East Germany, where intermittent rains, organizational problems, and the high moisture content of the grain may have caused excessive harvesting losses and reduced the milling quality of the grain.

5. The current outlook for fall-harvested crops, such as corn, sunflowers, sugar beets, and potatoes, is not as good as a year ago. Earlier forecasts for Czechoslovakia, Hungary, Rumania, Bulgaria, and

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Yugoslavia have proved to be too optimistic because of below-normal rainfall. Drought conditions through early September could sharply reduce yields of these row crops, which got off to a late start in most countries and are now at a stage of growth that requires good soil moisture to result in high yields. The northern countries could still realize yields equal to last year, but this seems unlikely in the southern region. The production and procurement of livestock products during the first seven months of 1967 have increased over the same period in 1966 because of good feed supplies and favorable farm prices and will probably continue to exceed 1966 levels during the balance of the year.

6. Eastern Europe's demand for imported grain in FY 1968* is expected to be somewhat less than the 7 million tons purchased in FY 1967. Major importers will continue to be Czechoslovakia, East Germany, and Poland. Their demand for feed grain from the Free World will be stronger than for wheat. Bulgaria, Rumania, and Yugoslavia will again be able to export grain and could have 3 million tons available, including 1 million tons of wheat. Since 1 July 1967, Rumania and Bulgaria have agreed to export 205,000 tons of wheat to Egypt on credit.

Communist China

7. The winter wheat harvest in Communist China is estimated to have been slightly larger than in 1966. A reduction in sown area, caused by severe drought conditions at the time of fall planting, was more than offset by increased yields resulting from more favorable growing conditions. The early rice harvest was probably also better than in 1966 because of more favorable growing conditions in most of the major producing areas.

8. Drought conditions which began to appear in portions of North and South China in late July and early August may adversely affect fall-harvested crops, although it is still too early to predict the outcome of this important harvest. In North China, soil moisture as of 10 August was considerably below

* Fiscal year 1968 (1 July 1967 through 30 June 1968).

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normal in portions of the provinces of Hopeh, Shantung, and Honan, which are major producers of miscellaneous grains such as millet, kaoliang, corn, and pulses. In South China, the coastal regions of Kwangtung Province -- particularly the important late-rice areas of the Canton delta and the Swatow plain -- appeared to be the most seriously affected by drought. In these regions, below-normal soil moisture conditions coincided with late-rice transplanting. The extent to which the late rice is damaged will depend upon the intensity and length of the drought and the effectiveness of irrigation facilities.

9. The Chinese have signed only one contract for the delivery of grain in FY 1968 -- with Australia for 1.5 million tons to be delivered by December 1967. Chinese grain imports in FY 1967 totaled about 5 million tons, 1 million tons less than in FY 1966. The Sino-Canadian grain negotiations planned for Canton in mid-August were canceled by the Chinese and have not yet been rescheduled. Under the three-year agreement covering the period 1 August 1966 - 31 July 1969, the Chinese have already purchased 2.5 million tons of Canadian wheat and can buy a maximum of 5 million tons more over the next two years.

North Vietnam

10. The spring rice harvest in North Vietnam, which normally accounts for about one-third of the annual rice crop, is estimated at about 1.4 million tons, or about 200,000 tons short of the average of recent years. Yields were about average, but acreage was reduced because of an early cold spell this spring, the disruptive effects of bombing attacks, a shortage of rice seedlings, insect and disease infestations, and the substitution of other crops in some of the spring rice fields.

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11. In an attempt to increase total food production, the North Vietnamese substituted subsidiary crops and a quick-maturing late spring rice crop for some of the regular spring rice crop.* The resulting increase in the production of these crops was not sufficient to make up for the shortfall in the production of regular spring rice.

12. The important fall rice crop is off to a poor start. Drought conditions -- somewhat unusual at this time of the year -- have interrupted the normal progress of this crop in areas which depend on reservoirs and storage ponds for irrigation water. Much of the rice, however, is grown in the Red River delta, which is irrigated from river systems and probably not as seriously affected by the drought. Moreover, favorable weather from now to harvest could improve the prospects for this crop.

* The subsidiary crops are sweet potatoes, corn, manioc, and green beans. The fast growing late spring rice, normally grown primarily in the mountain areas, was planted in some of the delta provinces this spring. While this crop frequently has high yields, it is very susceptible to insect damage and, as it is harvested later than the regular spring rice crop, is more likely to interfere with the transplanting of the fall rice crop.